ACHIEVING A BALANCED AGRICULTURE

SECURITY FOR THE INDIVIDUAL

Among our objectives I place the security of the men, women, and children of the nation first. . . .

This security for the individual and for the family concerns itself primarily with three factors. People want decent homes to live in; they want to locate them where they can engage in productive work; and they want some safeguard against misfortunes which cannot be wholly eliminated in this man-made world of ours. . . .

Security was attained in the earlier days through the interdependence of members of families upon each other and of the families within a small community upon each other. The complexities of great communities and of organized industry make less real these simple means of security. Therefore, we are compelled to employ the active interest of the nation as a whole through government in order to encourage a greater security for each individual who composes it. . . .

This seeking for a greater measure of welfare and happiness does not indicate a change in values. It is rather a return to values lost in the course of our economic development and expansion. . . .

We must dedicate ourselves anew to a recovery of the old and sacred possessive rights for which mankind has constantly struggled—homes, livelihood, and individual security. The road to these values is the way of progress.

—Franklin D. Roosevelt.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

ACHIEVING A BALANCED AGRICULTURE

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ACHIEVING A BALANCED AGRICULTURE

THE WHY OF AGRICULTURAL ADJUSTMENT

The far-reaching agricultural adjustment program launched by the Government in 1933 and continued in 1934 is an effort to cope with difficulties which have beset the American Farmer over a period of many years. These difficulties came to a climax at the beginning of 1933 and led to the adoption of a new national policy toward agriculture.

The situation was this: Ever since the World War the American Farmer had been struggling with a chronic condition of surplus. This was in spite of the fact that every year there was crop failure for some farmers in some sections, due to drought, flood, extreme temperature, pest, or disease, and there was always the possibility that in some one year disaster from one or more of these hazards might have a devastating effect on farmers over a wide area. Nevertheless the total amount of produce raised by the American Farmer remained more than could be sold in his available market. Because of his surplus production prices suffered a long decline. His crops were either left on his hands or sold at prices insufficient to cover his costs, particularly his fixed charges which remained at war levels. He and his neighbors continually produced much more cotton, wheat, tobacco, corn, hogs, and other products than the market could absorb. Huge amounts of some of these, like wheat and cotton, were stored in warehouses.

How did the supply of farm commodities happen to be so far out of line with the demand for them? The first four chapters of this pamphlet show why surpluses of farm produce were ruining American agriculture at the time of the adoption of the Roosevelt Administration's agricultural adjustment program. The fifth chapter gives figures on the actual farm situation as it was when that program was first applied.

CHAPTER I—A CHANCE TO MAKE A LIVING

What the farmer asks is primarily a chance to make a living. Throughout the 14 years before 1933, his chance to make a living had been less than that of the average member of the American economic community. During all that time the prices he got for the things he sold lagged behind the prices he gave for the things he bought. His share in the national income steadily declined.

A few figures show how far this decline went.

The American farm population, during these 14 years, was never less than 25 percent of the Nation's total. In 1919, the national income was about 66 billion dollars, and 18 percent of it came to the farmer. For a brief period he received a larger share than he had been accustomed to. He was getting relatively more for the things he sold than he was giving for the things he bought. But by 1921, the national income had dropped to 63 billion dollars, and of that amount the farmer got only 11 percent. That was less than his pre-war share. His lessened ability to pay, in that year, was greater than his increased ability to pay had been 2 years before. During the next 7 years the national income swelled to 88 billion dollars, but the farmer's share of it declined to 9.3 percent.

Then came the general depression, and turned his chronic disadvantage into an acute disadvantage.

By 1932, the national income was cut almost in two; the farmer's share of that reduced amount fell to about 7 percent. The purchasing power of a given quantity of farm commodities, expressed in terms of goods farmers buy, fell to about half what it had been before the war. No corresponding reduction took place in the farmer's fixed charges, debts, taxes, and so forth. Since he had to meet these charges as well as his living expenses if he were not to lose his farm, his actual purchasing power for goods and services fell to much less than half.

SURPLUS FOOD ON FARMS—IDLE MEN IN CITIES

In the fact that farmers were less and less able to buy the things that the people in the cities were making, lies the explana-

tion of how one surplus caused another, until farmers were burning wheat while bread lines lengthened in the cities, until the fantastic spectacle of poverty in the midst of plenty traversed America like a dance of death.

The poverty and the plenty were really two surpluses. The poverty was a surplus of labor and the plenty was a surplus of food. The surplus of labor and the surplus of food were both idle and both deteriorating.

As the farmer sold his food at a lower and lower price, he bought less and less clothing, fewer and fewer building materials, less and less farm machinery. The textile industry, the building materials industry, the steel industry, and many others lost their farm orders. By the end of 1932, from the standpoint of the maker and seller of city products, it was as if all of the people had vanished from half of America's farms, and from the standpoint of the grower and seller of farm commodities it was as if half of America's cities had become cities of the dead.

For a time during the 1920's the loss of farm orders was compensated by increased orders from other sections of the population, but its unseen sapping of the system of national industrial health continued. Then the urban orders ceased, and the loss began to be counted.

As soon as it was counted, the manufacturer who found he was accumulating a surplus stopped his production. He put his factory on short time or closed it completely. By doing so, he turned a surplus of goods into a surplus of men, who could no longer convert their time into money. They could no longer buy the things they needed to eat, chiefly because the farmer could no longer buy the things they had been making.

Thus in many industries the length of the bread line was directly proportional to the surplus of bread.

NATURE'S RAVAGES ADD TO FARMERS' TROUBLES

Ironically, while the mass of farmers was suffering from the effects of harvesting too much, large numbers of farmers in some States were suffering individually from harvesting too little. This was because of the ravages of nature, such as drought, flood, extreme temperature, pest, and disease.

Farmers who harvested full crops had small incomes because the price was low. Farmers whose crops had been damaged had still smaller incomes because they had little to sell, even at the low price. Both groups were getting less than their share of the American national income. Year after year they were supplying the Nation's needs for food and fiber materials. Occasional crop failure did not mean disaster for the Nation as a whole, because it could rely on the national carry-overs from the farmers' production in former years. The individual farmer, however, was the victim of severe ups and downs. Weather varied from one extreme to another; pests and disease came and went; yields rose and fell; demand shifted from year to year, and prices followed an unpredictable course.

PRICE FLUCTUATIONS AND MORTGAGE DEBT

Uncertainties as to price were particularly disturbing in connection with the fixed charges which farmers had assumed during the years of rising values. Mortgages are made in proportion to the value of the land and buildings offered as security. They usually run for a considerable period, at fixed rates of interest. The degree of debt which can be supported by a farm depends on the returns per acre obtained from it. If the price of commodities falls far lower than it was when a debt was assumed, returns per acre drop proportionately, and the farmer's calculations as to how he is to meet his debt are completely upset. He cannot even pay it by selling the place, since land values also are pulled down by low prices for the products raised on the land in question.

BALANCING THE POWER TO BUY AND TO SELL

The farmer does not want the process of rise and fall from which he has been suffering to be continually and unnecessarily repeated.

He wants a balanced economy in which there is a minimum of strain on either side of the scale, on the city or the country, on the producer or the consumer. He wants his relation to the city, as a consumer of the things the city makes, to be in equitable balance with the relation of the city dweller to the country, as a consumer of the things the country grows. He wants stable

prices, at levels which will keep the farm a going concern, to be established and maintained.

At the opening of 1933 the farmer was exchanging nearly 100 percent of his regular production—wheat, cotton, hogs, and so on—for not much more than 50 percent of his former consumption of manufactured goods—shoes, household furnishings, farm equipment, and countless other articles. Such a situation is calamitous for everyone concerned.

What the city and the country must have, therefore, is a balance between producing and consuming power. If the farmer achieves parity with other producers and consumers, the overwhelming majority of Americans will be better off.

CHAPTER II—WHAT IS A SURPLUS?

At the beginning of the 1932–33 season nearly 400 million bushels of wheat were on hand in the United States. So were 13 million bales of cotton. The 1932 crop of the most important kind of American tobacco totaled 374 million pounds. Eleven billion seven hundred million pounds of live swine swarmed on American farms where 100 million acres were planted in corn to feed them.

All these things, and many more besides, were the produce of the American Farmer. He would seem to have been a rich man.

Yet anyone who at that time went out to the great wheat-raising areas beyond the Mississippi, who visited cotton farmers in the deep South, who saw tobacco growers from Kentucky to Connecticut, who passed through the Corn Belt of the Middle West, covered most of agricultural America without seeing any rich men.

The paint was off the barns; there were leaks in the chicken-house roofs; the fences sagged for want of staples; the fields were bare of fertilizer. The old car, with last year's license plates still on it, was up on skids under the shed. Down the road, the little red schoolhouse was silent, though summer was still far off. At the county seat, the sheriff's books told of back taxes 2 and 3 years delinquent; and the State's lien on farm homes which those back taxes represented was redoubled by a private creditors' lien of past-due mortgage debts.

No, the American Farmer, at the beginning of 1933, was not a rich man.

He was a very poor man; he was six and a third millions of very poor men trying to support their families, totaling a population of 30 millions of very poor farm dwellers, not to mention the 20 millions in rural towns directly dependent on agriculture. And they were all poor partly because there was so much wheat, so much cotton, so much tobacco, so many pigs, and so much corn. How could that be?

THE BEGINNINGS OF SPECIALIZATION

In the most primitive forms of economic society—in an economic society, for instance, such as that of the pioneers who opened up what are now the great agricultural areas of America—every family is self-sufficient.

Our pioneers built their own homes, raised their own food, wove their own clothing, taught their own children. They knew just how much of everything they would need: their struggle was to get that much, for because of the variety of things they had to do, their energies were barely sufficient to produce a minimum of what they needed to exist. Their log cabins were cramped, and the wind blew through the chinking in the winter. Their food was a monotonous and badly balanced diet of cereals and jerked beef. Their clothes were made of ill-cured leather and shapeless linsey-woolsey. They themselves were caught so young in the struggle for existence that they were fortunate if they were able to pass on even the "three R's" as an educational heritage to their children.

But pioneer life does not long remain as primitive as this.

After a new country is developed, the neighbors divide up the various things that need to be done, and develop specialties in doing them. As soon as that happens, trade begins and goods become less scarce. One man plants more than he himself needs, and becomes the kind of specialist that is called a farmer. Another becomes a carpenter, another a shoemaker, another a teacher.

Because each has time to specialize, the output of each is both increased and improved, and so is the well-being of the community. Because the members of the community all know each other, they

can gauge how much of each product will be needed, and the chances are that as long as their work is all done by hand or with simple tools they will barely be able to meet the existing demand.

In such a neighborhood of specialists dependent upon each other, the values of the different things they produce come to have definite relationships; a bushel of grain, a pair of shoes, a suit of clothes, a year's tuition are expressed in terms of price.

OVERPRODUCTION MAY FORCE BELOW-COST SELLING

Where the community's habits remain the same over a long period, prices may stay the same for years.

But suppose a change in methods of production causes a sudden change in output. Suppose shoemaking machinery is invented which enables the shoe manufacturer to make many more shoes than he formerly could. He will find that there is a considerable demand for shoes, perhaps for a good many more shoes than he used to make, at the old price. But if he keeps on making more and more, or if other shoemakers send their shoes into his territory, a point will be reached at which he will have to drop his price if he wants to sell more shoes.

His problem, that is to say, will have changed from a problem of increasing production, which was his main concern in the scarcity period of primitive society, to a problem of increasing sales, of finding a market for his produce.

He can usually increase his sales by dropping his price, so that people who needed shoes but couldn't buy them at the old price can step into the market.

But if he keeps on dropping his price he will eventually reach a point at which he is selling his shoes for less than it costs him to make them, and that way lies ruin. Or he may find that he is making so many shoes that no matter at what price he is willing to sell them, the people of his community, having only two feet apiece, will have no use for them. In either of the last cases, the shoemaker is left with a surplus, left with products into whose making his time and money have gone, but from which he can get either no return at all or a return which is less than the outgo required for their production.

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At the beginning of 1933, most of the millions of bushels of stored wheat and corn, much of the accumulated cotton, tobacco, and hogs represented farm surpluses.

These excess supplies were far larger than the yearly carry-overs which form a normal part of the American system of agriculture. Enough of each commodity produced by the American Farmer has always been carried over from one crop season to the next to make up for any crop failure or poor harvest, so that the Nation should not lack food because of unforeseen accidents like the drought of 1934. The surpluses which depressed prices throughout the post-war period were in addition to carry-overs that were adequate to meet unusual domestic needs.

The farmer's ability to produce, by the beginning of 1933, had outrun the demand of his market; most of the things he had to sell could not be sold except at a price far below his cost of production; some of these things were present in greater quantities than could be used by the entire consuming group within the farmer's reach.

CHAPTER III—HOW SURPLUSES GREW

Why was there no market for the farmer's goods?

The surpluses that brought the American Farmer, at the beginning of 1933, down to the lowest point in his history, grew out of many causes, and over considerable time.

The farmers who opened up the Mississippi Valley during the last century were able to sell more and more wheat, cotton, corn, and hogs because of the new means of transportation which were then coming into use. The railroad and the steamship allowed them to become specialists in foodstuff and fiber production for a very large area. They were producing not only for their immediate neighborhood but for their Nation, and not only for their Nation, but for the world.

As producers for the world market, which then meant primarily the European market, they had two special advantages. Their land came to them free—the only investment it represented was the expenditure of their energy in clearing it. Consequently, when they set a price on their products, they had no need to in-

clude a charge calculated to amortize over the years the original cost of their acres. Their European competitors, by contrast, grew their produce on high-cost land. Furthermore, the flat, spacious quarter-sections of the prairie States were ideal for the use of large-scale agricultural machinery, while most of the wheat fields of Europe were too small and too hilly for large-scale implements to pay their way. Local geography gave the American Farmer a decided advantage in relative costs of production.

EXCHANGING GOODS WITH EUROPE

American farm products were attractive to the market of Europe because of their price; they were also attractive as factors in the new exchange of goods across the Atlantic.

Ever since the foundation of the American colonies a system of exchange had existed in which America was the specialist in raw materials and Europe the specialist in finished goods. The simultaneous rise of modern industry in England and modern agriculture in the American Middle West vastly increased the scale of this exchange.

In order to develop her resources quickly, the United States borrowed heavily from Europe throughout the two generations before the World War; the money which was brought into this country in the form of such things as rails for the new transcontinental roads was returned to the Old World in the form of the foodstuffs that the railroads carried East.

From the American Farmer's standpoint, his market seemed to be, and for a long time was, limited only by the limits of his own productivity. During the early 1900's American domestic population was augmented by upwards of a million bread-hungry immigrant mouths a year, and the world market for agricultural goods was dominated by American competition.

WORLD WAR STIMULATED AMERICAN FARM PRODUCTION

Then came the World War. European military needs were pyramided upon economic needs. The advantages to the American Farmer were obvious; after the United States joined the combatants, he was subjected to further pressure in the patriotic

appeals of emotional posters shouting: "If You Can't Fight, Farm! Food Will Win The War!"

Under stress of these combined stimuli, the American Farmer put some 40 millions of his grassland acres to the plow.

THE RISE IN FARM DEBT

In the course of achieving this expansion, the American Farmer greatly increased his costs. In order to buy more land and to buy motor-driven farm machinery, farm holdings were heavily mortgaged, at war-time values; the average mortgage debt per acre in 1920 was 235 percent of what it had been in 1910. The war prices for commodities were worked back into the American Farmer's production costs; the price of American farm land rose in direct proportion to the prices of the crops raised upon it. But so long as prices were rising, the fact that costs were rising was obscured by increasing margins of profit.

During the years just before the war, the relation between the prices the farmer got for his produce and the prices he gave for the things he bought had been in stable relation to each other. His income and his outgo balanced without stress on either side of the scale. Even though wheat prices were held down, the war sales for military purposes weighted the balance for a short time heavily in his favor. But when the military phase of the war was at an end, and military expenditures ceased, the balance went against him with a jolt.

WHY FARMERS DID NOT SHARE IN GOOD TIMES OF THE 1920'S

The political and economic aftermath of the war kept that balance against the American Farmer. In the course of the post-war decade, American industry indulged in a speculative prosperity greater than any theretofore known, but it was a prosperity in which agriculture did not have a proportionate share.

Why did the American Farmer not share in the good times of the 1920's?

There were six major reasons:

First, during the war years when he was making his surplus profits, trade relationships across the Atlantic

were undergoing a fundamental change. The United States, which had been a debtor nation, became a creditor nation. In other words, instead of sending our surplus goods abroad to pay our debts, we were in a position to receive the surpluses of other nations' goods to pay their debts. But we failed to make arrangements which would permit this. We increased our tariff and at the same time insisted on debt payments by European nations. The tariff, by keeping out their goods, made it difficult for them to pay their debts to us, and the combination of the tariff and the debts made it difficult for them to buy from us. How was it, then, that Europe was able to buy from us at all? European purchases were made possible only by a series of American loans to Europe. They enabled her to go on buying temporarily, but they magnified her future inability to pay. In 1928 American investors began to find the soaring domestic stocks in the New York stock market more attractive than European bonds. From then on American lending to Europe ceased; Europe had to stop buying from us, and the goods she had formerly taken remained unsold.

Second, while American tariffs were walling out foreign goods, efforts were being made by European nations to close their foodstuffs markets to outsiders. The war blockades had convinced the civil population as well as the military experts of the various European states that it was vitally necessary to be able to feed themselves from within their own borders. There was a general willingness to pay the price of putting back on their feet the agricultural populations which American dominance of the world market had for years been squeezing to the wall. Tariff and quota barriers designed to protect home production were pushed to ever greater heights by France, Italy, and Germany, and "imperial preference" was adopted in the British Empire. Some of these barriers were direct measures of retaliation against such American legislation as the Hawley-Smoot Act. European self-sufficiency meant decreased American sales.

Third, in such world markets as remained, the American Farmer was meeting competition from producers whose costs stood in the same relation to his as his had stood to those of European producers two

generations before. In Canada, Australasia, and the Argentine, the war market had brought into full production acres which were as well adapted to large-scale machinery as the Mississippi area, and which their owners acquired as cheaply. These new producers were able to undersell Americans for exactly the same reason that Americans had once been able to undersell Europeans: during the war American land had become high-cost land.

Fourth, the post-war anti-immigration laws sharply restricted population growth in the United States. For many years the farmers of the United States had enjoyed an expanding domestic market. The natural increase in domestic population had been supplemented by the yearly arrival of hundreds of thousands of foreign immigrants. During the last 10 years this flow has not only been stopped, it has been turned in the other direction. More people are now leaving this country than are coming in.

Fifth, people were forming new habits of eating. The same "win the war" posters which had stimulated the farmer to raise more wheat had urged the American domestic population to eat less of it because the boys in France needed all the bread we could send them. But when it was no longer necessary to scrimp on cereals at home, people did not go back to bread. Refrigerator cars moving by rail, and motor trucks on the new hard roads, were bringing fresh vegetables into every man's year-round market. The American who was eating 5.6 bushels of wheat per year when the war started, had room for only 4.6 bushels in his diet during the 1920's. While this meant good times for the truck gardener, the suddenness of the change was upsetting to agriculture as a whole.

Sixth, millions of horses and mules had been displaced by automobiles, trucks, and tractors. The horses and mules had eaten the crops produced on 35 million acres of land. While more acres could be cultivated with a motor than with a team, the use of the motor destroyed the outlet for the produce of some of those acres.

Any one of these six major changes would have left the American Farmer with a surplus. All of them together left him with an enormous surplus. When the general depression struck America, agriculture had already been depressed for 9 years; after the gen-

eral depression had lasted for 4 years, the American Farmer was very far down indeed.

CROP FAILURE MEANT FURTHER MISFORTUNE

He was so far down that even the occurrence of natural conditions making tremendous inroads on his production could mean only further misfortune to him. Such inroads would increase the prices of commodities which he had produced in past years but had been forced to sell when prices were low. Because he had been forced to sell them, the benefit from the increased prices would come not to him but to those who had meanwhile become owners of the goods and who were holding them in storage. He himself, since the failure of his crop left him little or nothing to sell, would have an income as low or lower than it had been in the years of plenty.

If the adverse natural conditions took the form of drought or some other disaster depriving livestock of their feed, the farmer would be hurt in still another way. He would be forced to send his animals to market. The sudden arrival of excessive shipments would break livestock prices, and cause the farmer to lose in a few days a considerable proportion of an investment built up over a period of years.

A natural disaster such as a long-continued and widespread drought is bad enough under any circumstances. When it comes after a period of chronic surplus and low prices, it finds the farmer without any reserve financial resources to fall back upon. His current misfortune is made far greater because of his past inability to adjust production to the available market.

CHAPTER IV.—THE SEARCH FOR CROP OUTLETS

The farm books of Washington and Jefferson, which give accounts of their experiments to produce a more efficient plow, show the main line of interest which preoccupied the American Farmer for 150 years. During all that time he was working to increase his yields.

He increased them in part by his own efforts and judgment, by rotating crops, by using chemical as well as animal fertilizer, by replacing horses and mules with tractors and combines. (It is

worth noticing that most of what he did in this connection intensified his dependence on the industrial part of the Nation.)

He also increased his yields by requesting and obtaining, through his representatives in Congress and in the State legislatures, government assistance in farming more productively. His aim was to make two blades of grass grow where one or none grew before. From the early Homesteading Acts to the vast irrigation projects of recent years, Government measures have helped him to obtain new acreage.

SCIENCE HELPED INCREASE PER ACRE YIELDS

Possibilities of increasing per acre yields to reduce production costs have been fostered by the Department of Agriculture both in developing improved crops and in combating crop perils.

One group of the Department's specialists has scoured the earth for new products, from the soybean of Northern China to the Sudan grass of subtropical Africa. Another group has done notable work on methods for eliminating plant and animal diseases—rusts, blights, cholera, and the like—and on pests such as chinch bugs, ticks, and grasshoppers.

The two greatest risks which every year take their toll of the farmer, extremes of temperature and flood or drought, continue to destroy hundreds of thousands of acres of produce every year, but a number of the other hazards which in the past have also wiped out a percentage of the farm income have been brought under control by application of scientific methods. Knowledge of the new methods has been spread under Federal auspices by the State agricultural colleges and by the Extension Service, particularly through its county agents.

The Government has not only helped the farmer to find out what to do to maintain or increase his efficiency; it has financed him in doing it. Since 1914, when it was demonstrated that the farmer could have access to the credit facilities of the country only at discriminatory interest rates, a series of institutions, including the Federal Farm Loan Board, the Federal land banks, intermediate credit banks and agricultural credit corporations, was established having as its function the financing of the farmer's increased efficiency.

As previously pointed out, in making these improvements and in securing this Government aid, the farmer had his eye fixed on the yield of his own individual farm. Individual efficiency must continue. But productive efficiency must be matched by efficiency in economic control—in regulating the total output. In general, until the 1920's, the farmer's mind was set solely on bigger and better crops.

WANTED: BIGGER AND BETTER MARKETS

After the war, when the bigger and better crops became bigger and blacker surpluses, his attention moved on to another point in the economic process. Instead of bigger and better crops, he wanted bigger and better markets.

But the market in which his goods were sold seemed distant and intangible to him. His thought had always been focused on his individual farm; beyond its boundaries, the picture was hazy. Years of depression, however, forced in on him the fact that so local a view was inadequate. Taken by themselves, there was nothing wrong with his crops. But they never were taken by themselves. And taken together with the crops of all his neighbors, there was everything wrong with them. What happened to all the crops when they got to market?

The farmer tried to meet his new problem of not enough markets for his crops in the same two ways in which he had tried to meet his old problem of not enough crops for his markets. He made certain efforts of his own, and he asked the aid of the Government.

The twice-vetoed McNary-Haugen bill proposed to relieve the American market of surplus farm products by subsidizing exports at the world price, so that the price of the domestically consumed share of the crop would rise to the extent of the tariff. The export movement was to be financed under the bill by collection of an "equalization fee" from the farmer on each of the surplus crops. An export debenture plan providing for debentures on exports amounting to all or part of the tariff on each important surplus commodity was also proposed.

In 1929 came the Agricultural Marketing Act, establishing the Federal Farm Board, which was commissioned to maintain prices

by holding farm products off the market. The Farm Board's task was impossible, since no practical method was provided to limit production. Hence more and more wheat was continually pouring into a market which, because of spreading world depression, was less and less able to take it.

At the end of October 1929, when the Farm Board took its first steps to support prices, December wheat futures were bringing $1.13 at Chicago. In January 1930, the Board began direct purchases of wheat. By April 1931, the Board had accumulated some 250 million bushels, but the price had dropped until May futures at Chicago brought only 82 cents. And the unabsorbed surplus in the hands of the Board hung over the market like a threatening cloud.

Why did the farmer go on producing more and more as prices fell?

LOW PRICES FORCED HIGH PRODUCTION

So long as he acted as an individual there was little else that he could do.

If the price was low, he must sell many bushels in order to keep going. If the price sank lower still, he must sell even more bushels.

He knew that if less wheat were thrown on the market there was a probability of a rise in price, but how could he be sure, if he reduced his own crop, that his neighbors would not raise so much more that the price would stay where it was and nullify his efforts to do the essential thing? So, dubiously enough, he increased his plantings of all the surplus crops.

There was the possibility that the weather or some other cause might result in a short crop and higher prices, but in the few cases where this happened, the adjustment of the crop to the market represented no planning on the part of the farmer. If he had reaped where he had sown, he would have had the usual low price for his product.

ATTEMPTS TO SOLVE PROBLEM THROUGH COOPERATIVE MARKETING

The cooperatives organized by producers of various products during the 1920's represented an effort to escape from this vicious situation by collective action. In some cases, and for certain

periods, their efforts had a degree of success. Where the product with which they dealt was grown in a restricted area, they had a fair chance to be a dominant if not a controlling factor in the market. But when it came to the main products of American agriculture, their prospects were slim. Unless they could achieve practically a 100 percent membership, all of their good work was likely to be jeopardized by a few individuals who stayed on the outside, enlarged their production, and either nullified or profited by the price improvement which the collective action of the members had brought about.

Until the beginning of 1933 the American Farmer's efforts to pull out of his difficulties, either by himself or with government aid, had yielded almost no results. The 1930 report of the Secretary of Agriculture accurately diagnosed the trouble:

> The current slump in agricultural prices and incomes reflects the combined influence of overproduction in some important farm products and the world-wide business depression. Agricultural overproduction existed before the business depression began ... One aspect of the farm problem overshadows all others. Production ... is out of balance with the market, and surpluses pile up continuously ... Our difficulty is not a sudden emergency, but a cumulative overproduction ... I want to emphasize the need for equitable, intelligent, systematic, and collective action to bring supply into better relationship with demand.

But three years later the collective action recommended by this diagnosis was still to be taken. As a result, the Roosevelt Administration came into office in the spring of 1933 with a strong mandate to do something about agriculture.

CHAPTER V—THE FARM SITUATION, 1932

What was the situation in which the American Farmer found himself when agricultural adjustment measures were finally undertaken?

In the year 1932 the American cash farm income was $4,201,000,000. In 1926 those same people had had a cash income of $9,658,000,000. Even that amount was less than their share of the Nation's wealth, but it had enabled them to buy a very considerable quantity of goods and services, of both the goods and services required to run the farm as a business and the goods and services required to run the farm as a home.

A statement of the things the farmer bought in the 1920's has a double significance. It gives an idea of what he needed in order to maintain a standard of living which even then was proportionately less than the standard of living of the other elements in the American economic community. And it gives an idea of how important a market, from the city worker's point of view, is provided by sales to the farm.

PRODUCERS' GOODS BOUGHT BY FARMERS IN 1926

In the year 1926 the business operating expenses of American farms—that is to say, the cash paid out by American farmers in the course of producing their crops—amounted to $2,867,000,000. The purchases were divided among different articles as follows:

Feed, seed, fertilizer	$1,070,000,000
Containers, spray, twine	139,000,000
Operating cost of tractors, autos, trucks	417,000,000
Others (insurance, harness, ginning, etc.)	289,000,000
Current expenses	1,915,000,000
Machinery, tractors, repairs	408,000,000
Autos and trucks	262,000,000
Repairs on farm buildings	282,000,000
Capital expenses	952,000,000
Total	2,867,000,000

In that year the total cash income of America's six and a third million farmers was $9,658,000,000. After they had deducted their operating expenses from it, paid $932,000,000 for hired labor, $717,000,000 for interest and $664,000,000 for taxes, they had $4,478,000,000 left from the farm as a business on which to run the farm as a home.

CONSUMERS' GOODS BOUGHT BY FARMERS IN 1926

A study made by the Department of Agriculture of the goods purchased by American farm families in 1926 gives a fair idea of the things into which they put their net cash income of $4,478,000,000.

The average cash expenditures per family of 4.4 persons in the group studied was $914.00. This was divided among goods and services purchased from non-farming groups as follows:

Food (purchased)	$218.00
Clothing	234.00
Furniture	40.20
Operating goods (fuel, help, household supplies, transportation, communication, insurance on furniture, etc.)	169.90
Health	61.60
Advancement (education, books, dues, vacations, etc.)	104.80
Personal (gifts, candy, tobacco, etc.)	41.00
Life and health insurance	40.80
Unclassified	2.70
Total	914.00

The purchases for the farm as a business plus the purchases for the farm as a home show the extent to which farmers were in the market in 1926. Even though the farmers were getting less than their share of the national income, they were buying almost seven and a half billion dollars worth of goods, and were a vital factor in the business life of the Nation.

THE HALT IN FARM BUYING

By the end of 1932, these purchases had largely stopped. The farmers' total cash income had dropped from $9,658,000,000 to $4,201,000,000. They had cut their purchases of producers' goods from $2,867,000,000 to $1,351,000,000, their expenditures on consumers' goods from $4,478,000,000 to $1,302,000,000. Out of these decreased funds our farm population could maintain neither the farm as a place of business nor the farm as a home.

As the farmers dropped out of the market the city breadlines grew longer. By the end of 1932, the more than six million farmers, out of funds, were matched, according to one estimate given in the spring of 1933, by more than six million city workers out of jobs who had lost them because the farmers could not buy.

The city workers who were on the street because of the shrinkage in the farmer's income were the largest group in the American community to suffer as a result of his misfortune, but they were not the only group.

The wage cuts and unemployment with which they were all too familiar were shared by the agricultural laborers to whom, in 1926, the American Farmer had paid $932,000,000.

The business of rural merchants was practically at a standstill.

A further group to whom the fall in farm prices meant disaster was the group holding the $10,000,000,000 of American farm mortgage debt.

THE FARM DEBT SITUATION

When a chart is made showing the farmer's income and his outgo for the years 1924–32, most of the lines, from 1929 on, are seen to

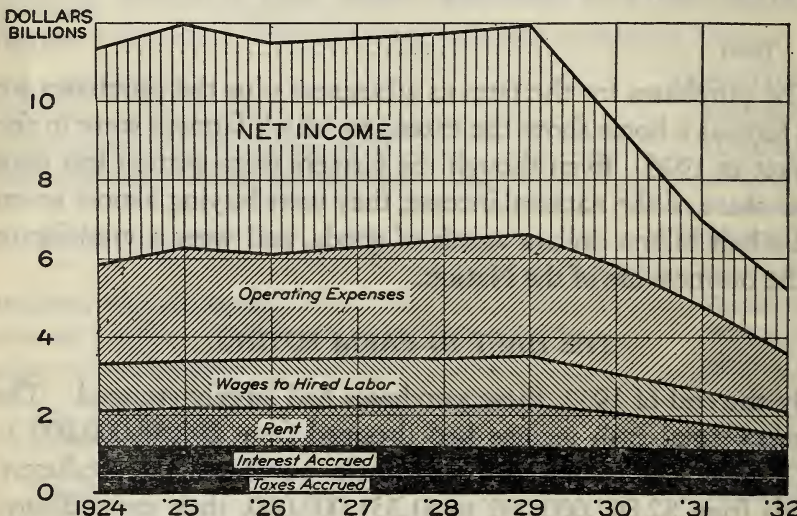

FIGURE 1. Gross Farm Income and Expenditures, 1924–32.

be running rapidly down hill. His net income is running down hill; his operating expenses are running down hill; his wages to hired labor are running down hill; his rent is running down hill.

But there are two lines in the chart which run pretty much on a level, no matter which of those years it is; the lines indicating what he owes for taxes and the lines indicating what he owes for interest. They were not very different in 1932, when his total income was just over five billion dollars, from what they were in 1925, when his total income was nearly 12 billions. In 1932, what he owed for taxes plus what he owed for interest was only about 75 million dollars less than what it cost him to make his crop, and

only about 25 million dollars less than the amount available for him to live on after expenses were paid.

MORTGAGE DEBTS A WAR LEGACY

The mortgage debt of the American farm has been one of the most persistent and depressing legacies of the war period. Mortgages made between 1914 and 1920 generally ran for a period of years. They were based on the land values current at the time the notes were signed.

The post-war break in prices uncovered the fantastic heights to which borrowings had risen. In 1920, when commodity values plunged, returns per acre from our basic crops sank back to what they had been before the war, and the partial price recovery made in the years just following soon turned into a long decline. As crop surpluses accumulated, land values dwindled along with per-acre returns: the farmer could neither wipe off his debt by selling out nor earn enough off the farm to support it. By 1928 he was further in the hole than ever, with his average debt per acre practically 300 percent of his debt in 1910. After the acute phase of the depression set in, foreclosures became so common that State legislatures were moved to halt them in the name of the general welfare. The total value of farm real estate fell from $66,316,000,000 in 1920 to $30,515,000,000 in March 1933.

The reason for the farmer's inability to pay his debts was obvious. If he borrowed money when the index number of the commodities he sold was 110, and had to pay it back in 1932 when the index number of those commodities was 42, the amount which he had to pay back, measured in commodities, was almost three times the amount he borrowed. And commodities got harder and harder to sell.

The farmer's inability to meet his fixed charges jeopardized his entire future. It also jeopardized the life savings of millions of his fellow Americans, for his two chief creditors were the trustees of those savings—the insurance companies and the banks.

In 1931, 1,705 banks failed in towns of less than 5,000 population. In 1932, 1,129 more followed. Most of the more than 4,000 banks whose position at the beginning of 1933 was too weak to enable them to obtain licenses after the moratorium were country banks.

Several minor insurance companies failed, and the position of the larger ones was far from satisfactory.

Tax delinquency had depleted county funds until shortened school terms and arrears of payments to teachers were becoming more and more general. Because 1932 taxes were unpaid, 2,000 schools in rural areas failed to open in the fall of 1933.

THE DEPTHS OF THE DEPRESSION

The above figures show the extent of social disintegration on the American farm and among the groups dependent on it for their welfare at the end of 1932. They explain why the farmers began taking matters into their own hands, refusing in some areas to permit further shipments of food at ruinous prices, and in others forcibly preventing foreclosure sales. By March 1933, all the banks in the United States were closed. That was the situation at the inauguration of the Roosevelt Administration. Twelve days later the President submitted an agricultural program calculated to control the surpluses of farm products whose price-breaking effects were the primary source of the farmer's difficulties and were contributing largely to the general breakdown.

THE HOW OF AGRICULTURAL ADJUSTMENT

What were the means proposed by the Roosevelt Administration to lift the American Farmer out of the slough of depression? The farmer's central difficulty was the lack of balance between his crops and his markets. Year after year surplus crops were breaking prices; as long as his returns were declining it was inevitable that he should be able to buy only fewer and fewer of the things he needed and to pay only less and less of his accumulating debts. The primary effort of the Administration has therefore been directed toward the restoration of a proper balance between the amount of produce which is raised on American farms and the amount of produce which can be absorbed by available markets.

The Agricultural Adjustment Act, passed in May 1933, offered the American Farmer a method by which he could progress toward the achievement of a balanced agriculture.

The next three chapters of this pamphlet explain the fundamentals of this Act. They show what is meant by "parity" prices. They describe how production is controlled through benefit payments, marketing agreements and licenses. They discuss the processing taxes by which production control is being financed.

The fourth chapter in this section gives a brief description of certain other policies of the Roosevelt Administration from which the American Farmer has received assistance in addition to that provided by the Agricultural Adjustment Act, policies which have raised the general price level and policies which have aimed to increase the purchasing power of groups that normally buy large quantities of farm products.

The final chapter summarizes the improvements in the farm situation which took place, largely due to the influence of these policies, between 1932 and 1934.

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CHAPTER VI—A CONSTITUTION FOR FARM EQUALITY

The economic sickness with which American farm life was afflicted at the beginning of 1933 was such that treatment of its symptoms was not enough; the disease itself had to be attacked.

The scope of the coming effort was recognized by President Roosevelt in his message transmitting the proposed Agricultural Adjustment Act to Congress, 12 days after he took office on March 4. In this message he said:

> I tell you frankly that it is a new and untrod path, but I tell you with equal frankness that an unprecedented condition calls for the trial of new means to rescue agriculture.

The Agricultural Adjustment Act was a document of far-reaching importance. Just as the Bill of Rights and other documents of the American Revolution had been intended to assure to every one equality of opportunity in the political field, this Act was intended to assure to farmers equality in the economic field. It gave agriculture a constitution under which orderly processes of production could supplant the existing chaos, under which collective agreements and collective action could secure to the individual the advantages which he desired but could not obtain single-handed.

The Act did not stop with an expression of this aim in general terms; it included an outline of specific methods to bring about the desired equality. These methods were advanced as frankly experimental in nature, to be used for as long—or as short—a term as they served a useful purpose; to be discarded if their results did not come up to expectations, or if other methods which seemed likely to yield better results were discovered.

DISTRIBUTING THE FRUITS OF SCIENCE

In one of his first speeches on the proposed Act, Secretary Wallace said:

> Can we, do you suppose, become as efficient in our social experimenting as we have already proven ourselves in scientific experimenting? . . . The Farm Bill is an effort in the direction of social inventiveness. In some ways, it is perhaps as crude as the first automobile. But I believe it is profoundly right in purpose, for it attempts a reconciliation between science and social justice;

and I believe it can be made to work, if the rank and file of the people of the United States—the men who grow our food, the men who handle and distribute it, the men and women who consume it—the new machine will work if all these people are genuinely hungry to distribute the fruits of science in a ust way. . . . Personally I think the last 12 years have imprinted this lesson deeply on all of us. I think we are ready, now, to reach out towards a new order.

In sending the bill to Congress, the President underlined this experimental attitude:

If a fair administrative trial of it is made and it does not produce the hoped-for results, I shall be the first to acknowledge it and advise you.

The changes in methods which have since been made and which from time to time will undoubtedly be recommended, indicate the sincerity of this statement. The Administration has never intended to force made-in-Washington blueprints upon situations to which they do not correspond, or for which they offer no orderly scheme of adjustment. The agricultural programs have been made in response to an urgent demand; and the Administration is quite willing that they should depend for their continuance on voluntary and understanding cooperation from those with whom the demand originated.

ADJUSTMENT MEASURES MAY VARY

There is no question that the measures necessary to achieve agricultural adjustment will vary widely from year to year. It is wholly within the range of possibility that the measures needed and taken in one year may be very different from the measures needed and taken in another year. In keeping an even balance between our products and our markets, between our farmers and our city population, we shall undoubtedly need to put pressure first on one side of the scale and then on the other.

It is not a contradiction in aim to use an electric fan in summer and a furnace in winter, opposite though the effect of the two mechanisms may be. What we want is to maintain the temperature in which we live and work as near to 68° as possible; we vary our method of achieving this aim according to outside circumstances.

The same kind of policy is needed for agriculture. The main purpose for which the Agricultural Adjustment Administration

was instituted was to attain a balance of production with effective demand, and once having attained a balance, the further aim of the Act was to maintain it, so as to avoid the cycles of high and low production which in the past have penalized farmers and consumers by devastating price swings. At first this meant to do away with the surpluses of farm products which had been creating farm poverty in the midst of farm plenty ever since the war. That was the main purpose to which the powers of the Act were applied during the first year of the New Deal. It is conceivable that an extensive drought or other disaster might temporarily alter the situation so much that instead of restricting the production of commodities in a region, the maintenance of the agricultural balance might require, for a season, a regional expansion of cultivation. Restriction and expansion, although as specific methods they are exactly the opposites of each other, might contribute equally to fulfilling the aim of the Act. Moreover, weather conditions tend to average themselves out in the long run, and none of the basic causes of the farm problem is affected at all by temporary changes in the weather.

BASIC COMMODITIES NAMED IN ACT

The Agricultural Adjustment Act was intended to bring the farmer into a position of parity—that is, equality—with other American producers.

It named seven commodities as "basic": cotton, wheat, field corn, hogs, rice, tobacco, and milk and its products. (In 1934 the Act was amended to add sugar, beef and dairy cattle, peanuts, rye, flax, barley, and grain sorghums.)

These commodities were selected because they include the products which have been subject to the greatest pressure of accumulated export surpluses and falling world prices, because they all pass through some form of processing before they reach the consumer, and can be controlled at that point, and because in 1929, they together yielded between 50 and 55 percent of the revenue from American agriculture. The Act therefore authorized the Secretary of Agriculture to undertake fundamental plans for improving the position of all of these commodities.

In addition, the Act made it possible to assist the producers of other farm products through marketing agreements and licenses. Operation of these is described more fully in Chapter VII.

Production control of the basic commodities was provided for through a system of benefit payments, the money for which is raised through processing taxes levied on the commodities at the first stage in their preparation for use by the consumer. A further explanation of benefit payments and processing taxes is given in Chapters VII and VIII.

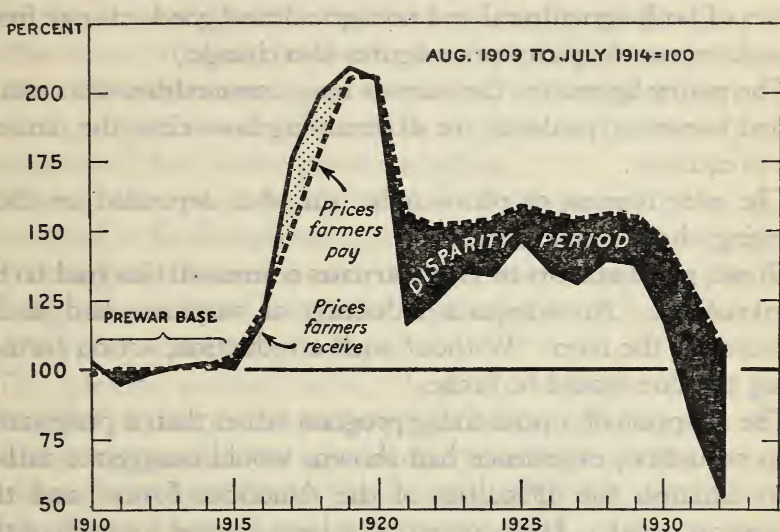

FIGURE 2. Index of Prices Received and Paid by Farmers, 1910–32.

WHAT WAS MEANT BY PARITY?

It is important here to explain exactly what was meant by parity.

Equality for agriculture had to be expressed in terms of actual prices and actual proportions of the national income. For a starting point, a period had to be selected when price relations among the various producing groups in the nation were stable and considered to be equitable.

Such a period was that which preceded the World War. At that time, as can be seen from the accompanying chart, the factors in American production were so well adjusted to each other that only minor changes in prices and incomes were taking place.

Accordingly, for all of the "basic" commodities except tobacco, which has to be considered in terms of the post-war decade, the period from August 1909 to July 1914 was selected as the base period for calculating parity prices. These, the Act declares, represent the fair exchange value for farm commodities in terms of the goods farmers buy. In other words, the price of a bushel of wheat, to be at parity, would have to buy as many shoes, farm implements, and so on as the price of a bushel of wheat could have been exchanged for in the period from 1909 to 1914. (Because prices of both agricultural and nonagricultural goods change from month to month, parity-price figures also change.)

The parity figures for the various basic commodities thus established become a yardstick for determining how close the farmers are to equality.

The effectiveness of plans under the Act depended on their meeting three requirements:

First, production of the various commodities had to be controlled. An adequate reduction of surpluses had to be effected on the farm. Without such a reduction, action further along the line would be futile.

The adoption of a price-fixing program rather than a program of crop reduction, experience had shown, would exaggerate rather than diminish the difficulties of the American Farmer and the American people. Had a given price been assured for each of the basic commodities, more of these commodities rather than less of them, would have been thrown on the market. The Government subsidies required to maintain the fixed price would have burdened the taxpayer without necessarily making any contribution to the adjustment of basic farm difficulties.

The farmer would also have had to contend with the possibility that the intermediaries who handle his goods between farm and market would receive most of the benefit of the increased price the Government was supporting. This often happens in varying degrees when Government price-fixing is undertaken.

The result of price-fixing without production control had just been demonstrated by the experience of the old Farm Board. Price-supporting efforts were doomed to expensive inefficiency

as long as excessive plantings caused markets to be glutted by a continual oversupply. The first essential was to bring about acreage reductions sufficient to insure future stability.

Second, the farmer who reduced his output had to be assured of the kind of protection which the cooperatives had in most cases been unable to supply. All too often, the cooperator had seen the outsider reap where the cooperative had sown. Time after time, cooperatives had fenced in a certain area from economic chaos by control of production; time after time their fruits had been plucked from the other side of the fence. Unless the Government could prevent predatory individualists from having an advantage, collective action in the field of production control would be as certain to fail under public auspices as it had under private auspices.

Third, the well-being of the consumer of farm products had to be considered along with that of the farmer. In offering the farmer a constitution, the administration was offering him a constitution under which he should have economic equality, not economic privilege.

The question is often asked, "Is it not wrong to arrest production of food at a time when people are going hungry?" Here it seems appropriate to say another word about the seeming paradox of surpluses on the farms and relief kitchens in the cities. It would have been inexcusable for the Federal Government to permit people to go hungry while doing nothing to feed them. In the United States, with its rich productivity, every person should have enough to eat. It is the responsibility of the people at large, acting through the Government, to see that no person shall starve. Since March 4, 1933, under President Roosevelt's direction, this responsibility has been assumed by the Federal Emergency Relief Administration and the Federal Surplus Relief Corporation.

But those who say it is wrong for the Government to aid the farmer in restricting his production overlook a very important fact. The reduction comprised in the agricultural adjustment programs applies only to the farm surplus. It does not apply to the production of that amount of farm commodities normally consumed by the American people, to the amount which we can export at this time, or to the carryovers which are made from year to year in sufficient

amount to keep the nation from suffering in case of unexpected shortages due to crop failure. What it does apply to is the amount of our farm commodities for which there is no market, except at prices which the farmer may rightly consider ruinous.

Had production been continued at the rate of the years just before 1933, even though every hungry person in the United States had been well fed there would still have remained a surplus of farm goods because of the disappearance of our overseas market.

Our normal wheat production, for example, has been more than 800 million bushels a year in the past, while our normal consumption for food, for feed, and for seed in this country has been around 600 million bushels. That has left a surplus of over 200 million bushels that was formerly an exportable surplus.

During the last few years, the world's markets have not taken this amount of our wheat. It is obviously impossible for our own people to eat 20 percent or 40 percent more bread than usual. Under such circumstances our 200-million-bushel surplus is a serious menace, for its existence serves only to depress the purchasing power of the farmer. It affords no additional protection to consumers.

In recognizing that both the farmer and the general public suffer when the farmer receives less than his share of the national income, the Act tacitly recognized that both would likewise suffer should he receive more. Lasting stability can be achieved only as parity is established among the different groups in the community, and, once established, is maintained.

There is room for immense improvement in the incomes of both country people and city people. But this great future advance toward a better standard of living for all can be achieved only if balanced progress is maintained. Neither farmers nor industrial workers nor business men as a group can profit for long at the expense of, or out of balance with, each other.

CHAPTER VII—PRODUCTION CONTROL: BENEFIT PAYMENTS, MARKETING AGREEMENTS, LICENSES

Conditions under which the various "basic" commodities are produced differ so much from each other that the Secretary of Agriculture had to have equally different powers to adjust their

production. Accordingly, the story of surplus control varies for each commodity. But the main outline of the story is the same in each case.

Here is what is being done:

Farmers are making contracts with the Secretary of Agriculture for adjustment of their production. In return for their cooperation they receive benefit payments. Some of the payments take the form, as in the wheat program, of benefit payments on the part of a farmer's crop that is used domestically. (This is in substance what has been known for several years as the "domestic allotment plan.") Some of the payments take the form, as in the case of a part of those made under the cotton program, of options on the cotton stored by the old Farm Board. These options enable the cooperating farmers receiving them to profit by a price rise while not suffering from a price fall. In other cases the Government pays rent on acres either plowed up or not planted, provided they are not used for the substitution of other competitive crops. The planting of acres retired from surplus crops in pasture and forage, to get back the grasslands plowed up during the war, is encouraged under all of the adjustment programs.

The maximum amount of the benefit payment on any commodity is determined by the difference between the current price of the commodity and the parity price.

BENEFIT PAYMENT METHOD PRACTICAL

The benefit payment method fulfills all three of the requirements outlined in Chapter VI for the successful working of the Agricultural Adjustment Act.

It brings about the crop adjustment needed to secure a proper carryover and proper price.

It protects the consumer of farm products by insuring that benefit payments will not carry prices higher than the parity level.

It rewards the cooperating farmer by giving him a greater total return, under prevailing conditions, than the noncooperator. The benefit payment system fulfills this last requirement by dividing the return on the cooperator's farm operations into

two parts. He gets his pay, first, in the market price of what he produces, and, second, in the benefit payment on any acres he may retire from surplus crops. But the noncooperator, even though increasing his production, can, under no circumstances, get more than the market price of what he sells. The Administration is thus able not only to protect cooperators against loss resulting from the actions of outsiders, but to give a visible reward for coming into the control plan.

PAYMENTS SERVE AS CROP-INCOME INSURANCE

A vital feature of the benefit payments is that they serve as a type of crop-income insurance. They are computed on the cooperating farmer's average production over a period of years, not upon current production. Hence they are not affected by a single year's crop failure. The amount of the payment in any one year is not affected by the size of the crop that the farmer gets in that year. His yield may be burned out, hailed out, or flooded out, destroyed by grasshoppers, cholera, chinch bugs, or weevils. But if he signs a production adjustment contract and fulfills its terms, he gets his benefit payment just the same.

In time of calamitous drought or other disaster the crop-income insurance feature of agricultural planning may mean the difference between misery and sustenance for the farmers. It gives them a fighting chance to carry on. At the same time the Nation is insured that fertile areas temporarily blasted by calamity will be continued in production.

MARKETING AGREEMENTS AND LICENSES

Besides the basic crops reduced by means of benefit payments, growers of a number of other commodities less widely produced have been helped under the power of the Secretary of Agriculture to enter into marketing agreements and issue licenses.

Milk, fresh fruits, vegetables, nuts, and canners' crops produced and marketed in various sections of the country have been brought under marketing agreements and licenses. Sometimes both an agreement and a license are used together, sometimes one or the other is used alone.

These agreements and licenses, while they apply directly to distributors and handlers (either independent dealers or producers' cooperatives), are intended to improve the situation of the producers themselves and help them to get better prices for their products.

A variety of devices is used in the agreements, from control of the flow of supply to market, as in the case of some fresh fruits, to the control of total output, as with canned cling peaches, or the control of acreage, as with rice. The milk licenses fix minimum prices which dealers must pay to farmers producing fluid milk and cream for cities in which licenses are employed.

The marketing agreements, like the production control programs, provide a way by which the noncooperators may be kept from taking advantage of the cooperators. A number of cooperative marketing organizations whose membership controls a large portion of the total supply of the product marketed have found the aid of the Government extremely helpful in preventing nonmembers from nullifying their efforts.

In certain cases the Agricultural Adjustment Administration has also cooperated with the National Recovery Administration in working out codes of fair competition for industries dealing with agricultural products.

In briefest outline, that is how agricultural adjustment is being secured. It should be noted that voluntary cooperation was the guiding principle in all of the adjustment programs. Early in 1934 the cotton growers, through their representatives in Congress, brought about the passage of the Bankhead Act, which applies a measure of mandatory control to cotton. In the spring of 1934, a somewhat similar measure, the Kerr Act, which was, however, carefully designed to supplement voluntary adjustment programs, was passed for tobacco. In both of these cases the moves toward more inclusive methods of control were initiated by the growers. Whether or not these measures prove practicable will depend on the extent to which they are found to represent the views of the vast majority of the growers concerned.

The adjustment program required action at three points. It required action by the Agricultural Adjustment Administration at Washington, to serve as a centralizing agency enabling the interested growers to work out plans which would fulfill the intent of the Act, and to adapt methods of adjustment to new conditions as they appeared. It required action in the States and counties, to transmit to the farms the plans worked out at Washington. And it required action on those farms by the people who till them, who are the beneficiaries of whatever is accomplished, and on whose cooperation the success of the program depends.

The national setup of the Administration which has been created under the law within the Department of Agriculture, has been simplicity itself. Existing services of the Department of Agriculture have been largely drawn upon, and the Act has been efficiently executed with the addition of a minimum of new machinery and personnel. The present Administrator of the Act is Chester C. Davis, who, late in 1933, succeeded George N. Peek. The five divisions under him are the Commodities Division, the Divisions of Planning, of Information and of Finance, and the Office of the General Counsel.

Contact between the farmer and the Department of Agriculture has long been maintained by the State extension staffs and the county agents, so there was no need for a new set of workers to link the farmers with Washington. At every stage in the new developments, the county agents have rendered indispensable service.

The local setup of the administration consists of the organizations of the farmers themselves. Each of the adjustment programs has grouped the signers of contracts in county production control associations. These associations, whose work during the first season under the act is more fully described in Chapter X, have been the mainstay of the whole movement for crop control.

CHAPTER VIII—PROCESSING TAXES: WHAT FOR AND WHO PAYS THEM?

By the end of March 1934, the Agricultural Adjustment Administration had disbursed a total of $179,702,687. By the end of 1935, it anticipates a total disbursement of about $840,000,000.

Where is the money coming from?

The adjustment program is being financed largely by the receipts from processing taxes, collected by the Bureau of Internal Revenue from the first domestic processor of each of the basic commodities—the miller, the cotton textile manufacturer, the meat packer, and so on. As was mentioned in Chapter VI, in the consumer's interest the tax was limited by law to the amount necessary to raise the current farm price of the commodity to the "parity" price.

In some cases, where the application of the full amount of such a tax would cut down consumption and therefore pile up new surpluses, the Secretary of Agriculture is permitted to fix the tax at a lower level. This has been done in connection with the corn-hog program.

Since the prices of competing commodities largely determine how much of each will be bought, the Secretary also is allowed to place compensating taxes on commodities whose use is likely to replace that of commodities bearing a processing tax. Compensating taxes are now being levied on jute and paper where they come into competition with cotton. Similar taxes are permitted on imported articles so as to maintain the usual competitive relationship between the use of imported and domestic goods.

Who pays these taxes?

Do the miller, the textile manufacturer, the packer, pay them?

Do they pass them forward to the consumer?

Or do they pass them back to the producer?

SUPPLY AND DEMAND CONDITIONS GOVERN

Who pays the processing tax depends on the supply and demand conditions for a given commodity.

Demand for a product may be either elastic or inelastic. It is inelastic when about the same amount of the product is bought,

no matter whether the price is high or low. It is elastic when a rise in price is immediately followed by a drop in quantity sold.

When demand is inelastic, the processing tax is likely to be paid by the consumer, since he will continue to buy even if the whole tax is added to the price of the goods.

When demand is elastic, on the other hand, the consumer may pay less than the full amount of the tax if the same quantity of the product is put upon the market as before. In such cases, the producer and the distributor each try to make the other absorb the tax; while supplies continue to be excessive, it is more likely to be passed back to the producer in the form of prices lower than they would be if shipments were smaller.

Experience with the processing taxes seems so far to indicate that in the case of cotton goods and of wheat flour the tax has been consistently paid by the consumer. This is partly because both are nonperishable commodities which can be stored and thus do not have to be thrown upon the market as soon as they are produced; partly because they are sold abroad as well as at home, which means that demand from abroad tends constantly to bolster the price at home with domestic prices almost always related to world prices; and partly because they are regarded by the public as necessities and hence domestic demand for them is highly inelastic.

EFFECT OF TAX ON HOG PRICES

In the case of hogs, on the other hand, the effect of the tax has been varied. Three distinct periods are noticeable between October 1933 and May 1934. Demand for pork is highly elastic. Consumers buy a great many pounds of pork products if prices are low, and correspondingly fewer pounds as prices rise, so that the annual amount spent on it by the public remains just about the same. In view of this, the processing tax has been applied gradually, beginning at 50 cents per hundred pounds live weight in November 1933 and rising to $2.25 in March 1934.

From October to January, the farmer was shipping a very large supply which the consumer would not have accepted had the price been put up too much. Price-raising effects of the Administration's emergency hog-buying program, which eliminated over 6 million pigs and light hogs from the farms during the autumn,

were not felt during that period because those pigs, if left on the farm, would not have been sold until later. During those months, many farmers assumed that they themselves were paying part of the tax, but in no case has it ever been contended that they paid all of the tax. Such a situation is very different from the McNary-Haugen plan for raising prices, under which the farmer would have paid all of the cost by contributing the equalization fee.

After January 1934, the elimination of the pigs began to be felt; the curtailed supply turned a buyers' market into a sellers' market, and from January to March the tax appeared to be generally paid by the consumer. Prices to farmers showed a distinct rise, from $3.06 per hundred pounds on January 15 to $3.88 on March 15.

By the end of March, the supply situation began to reverse itself; as shipments increased, prices to farmers declined again, with a pronounced drop in price when an unusual number of shipments were forced on the market by the drought.

Twice, during the days immediately following the raising of the tax on the first of February and on the first of March, the packers absorbed a part of the tax, for they were unable to raise wholesale prices of pork as fast as the price of hogs plus tax was going up. Thus during most of the period after processing taxes were levied, farmers received more than they did in the corresponding period a year before in price alone, and, in addition, they got their benefit payments.

TAX MONEY ENDS UP IN FARMERS' POCKETS

But, from one point of view, the question of who pays the tax is beside the point. Even if it could be shown that the farmer pays part of the tax, that would not in itself mean that the farmer is not gaining great advantage from it. If there were no tax, there could be no benefit payments. If there were no benefit payments, no plan for voluntary control of production would be feasible. If there were no control of production, supplies would be excessive and prices would continue at ruinously low levels.

The farmer who thinks he is paying part of the tax should do some figuring. He should figure what price he would be getting if there were no adjustment program. Then he should figure

what his total cost of production would be if he were making no reduction in the number of pigs raised, take that figure from his total income and thus get at his net return if he were not operating under the program. He should compare these figures with his situation under the adjustment program. He would find that three factors are contributing to his total income—his volume of production, his market price, and his benefit payment. He should subtract from this total income his cost of production, which will be less in proportion as his production is less. He can then see the difference between his net return under the program and what his net would be if there were no program.

Farmers should not forget that all the processing tax money ends up in their own pockets. Even in those cases where they pay part of the tax, they get it all back. Every dollar collected in processing taxes goes to the farmer in benefit payments. In addition his market price is higher due to production adjustment. Except for money spent to remove surpluses from the market, the cash is sent straight to the farmers forming the county production control associations.

What counts, after all, is not who pays the tax but who gets the income from it and who gets the advantage of the whole program.

CONSUMERS' PRICE INFORMATION PUBLISHED

Are the processing taxes ever paid more than once?

Whenever any tax is levied there is always a danger that in the course of being passed on it may be piled up or pyramided, so that the ultimate consumer has to cover it several times. There is the possibility that retailers may reap excess profits under the excuse that the tax is forcing prices up.

In order to prevent this and other abuses of the consumer in the case of processing taxes, a Consumers' Counsel has been established in the Agricultural Adjustment Administration. This Office issues a semimonthly bulletin called the Consumers' Guide, which follows price movements and the elements which make them up, so that the consumer may know just how much the tax really does add to the price he pays.

The April 9, 1934, issue of the Consumers' Guide shows the part played by the processing taxes in prices of clothing, bread, and so on. According to the Consumers' Counsel's figures, the tax does not directly represent more than one-half cent in the 7.9 cent average price of a one-pound loaf of bread. It does not directly represent more than 3.4 cents in the price of a woman's cotton dress, nor more than 6.2 cents in the price of a man's work pants. It does not directly represent more than 7.6 cents in the price of a sheet, 3.2 cents in that of a bath towel, or 1.3 cents in that of a yard of unbleached muslin. Further increases have been due to increased labor costs and other factors, but as these figures indicate, increases in prices directly due to the processing taxes alone are relatively small.

SMALL PRICE RISE TO CONSUMER MEANS MUCH TO FARMER

It is worth remembering that a small percentage rise in the consumer's price usually is accompanied by a much greater percentage rise in the farmer's price. This is because the farmer's share in retail price is usually very low and because costs of distribution usually remain about the same no matter what the price is. For example, if the consumer has been paying $1 for a bushel of potatoes, the farmer's share likely has been 35 cents. If the price paid by the consumer rises to $1.10, the farmer receives 45 cents instead of 35 cents. The increase in his price is 29 percent, while the consumer pays only 10 percent more. If the consumer pays $1.35 a bushel, the farmer will receive 70 cents, or double his former price, while the consumer's price has increased only 35 percent.

Something like this is what happened during 1933 with respect to wheat. In March 1933, the consumer paid an average of 3 cents a pound for flour, of which the farmer got only 0.8 cent. In March 1934, the consumer paid an average of 4.8 cents a pound, of which the farmer got 2.3 cents.

A moderate decrease in the consumer's price may almost wipe out the farmer's margin, as it did in wheat early in 1933. Conversely, a moderate increase in what the consumer pays, such as occurred later in 1933, may change the farmer's prospects from ruin to a chance to make a reasonable living.

From what has been said above, it will be clear to what extent the voluntary production control programs depend on the processing taxes. It will be seen that the tax has a double function: It not only supplies the funds which are being used to increase the cooperating farmer's income; it is the essential instrument by which production control is secured.

In a sense, the processing tax and benefit payment may be considered the farmer's tariff, calculated to place him on more equal footing with the protected industrialist producing goods bought by farmers. Because large portions of our farm crops are ordinarily sold at world prices, import duties give little protection to the producers of these crops. As long as the United States maintains a high tariff protecting the prices of many industrial products which the farmer has to buy, the processing tax is needed to give an equal protection to the prices of the farm products which the farmer sells.

Farmers who understand the manner in which the processing tax operates will be reluctant to abandon so practical and effective a means of gaining economic equality.

CHAPTER IX—PRICES AND PURCHASING POWER

American agricultural prices had sunk as low as they had at the beginning of 1933 for two reasons.

Farm prices remained low during the 1920's because farmers were producing more commodities than their available markets could absorb except at prices which failed to cover their costs. This was in spite of the fact that city dwellers were well able to pay for things to supply their needs. Overproduction of foodstuffs and fibers turned years of prosperity for the rest of America into years of decline for the farmer.

But after the general depression, the further decline of farm prices was due to a further cause. The disappearance of markets for city-made goods (including the farm market) decreased the purchasing power of the nonagricultural groups in American life. Farm prices then fell not only because the farmer was putting too many commodities on the market but because many of his normal customers, both at home and abroad, were out of the market.

The Government policy for agriculture contained in the Agricultural Adjustment Act offered a means by which the farmer's original difficulty, that of overproduction, could be corrected.

At the same time the Government undertook parallel policies to stimulate recovery on the part of the groups whose decreased purchasing power was the cause of agriculture's further decline. These measures were of course taken primarily on behalf of the groups concerned, but wherever they restored those groups to the market the farmer received a substantial benefit.

PURCHASING POWER FOR NONAGRICULTURAL GROUPS

The farmers in the country and the workers in the cities are the two great groups of Americans whose purchasing power determines whether commodity markets are weak or strong. If both the workers and the farmers are able to buy, there are not likely to be long-continued surpluses of farmers' produce and workers' time such as made the economic misery of 1929–33. The Agricultural Adjustment Act is the Government's answer to surpluses of farm products and low farm prices. To low wages and unemployment the Government has made parallel answers through the National Recovery Act, the public and civil works projects, and the Federal emergency relief.

Most of the money put into the hands of factory workers who have been working at starvation wages or not working at all is bound to be used for prime necessities, such as food, clothing, and shelter. Workers taken on for public or civil works projects spend their wages the same way. Unemployed on relief rolls put almost all of their grants into commodities.

All of these expenditures strengthen the market. In particular, they strengthen the farmer's market. The increased consuming power of city workers goes very largely for the things the farmer raises, for bread, for meat, for cotton cloth. Producers of livestock products in particular should remember that the amount of money spent for their products varies directly with the volume of factory pay rolls. Purchases by the Government for relief of the needy (pork, butter, and so on) have also lightened the pressure on the farmer's market by direct action.

The general price rise of over 30 percent which occurred in 1933 shows very clearly the mutual benefit to farm and city obtained from the Government's programs for particular producing groups. It also shows the effect of the Government's general monetary policy, which attacked the price level directly.

GENERAL MONETARY POLICY

The Government's monetary policy has comprised a series of moves.

First came suspension of the gold standard.

Then came the gold-buying policy which cheapened the dollar in relation to foreign currencies. The increase in the price of gold expressed in dollars which this policy had in view made it possible for foreign buyers to pay more dollars for a given quantity of American goods without changing the amount of gold or the amount of their own currencies which they were required to spend.

Commenting on the effect of the Administration's gold-buying policy, Secretary Wallace said:

> Monetary policy falls within the province of the President, the Secretary of the Treasury, and the Congress of the United States. The Secretary of Agriculture is concerned insofar as the policy may bear on the number of acres of export crops and the foreign purchasing power for these crops. The Secretary of Agriculture and the producers of export crops have appreciated the relief which the money policy has given during the past year.

In January 1934 the President asked Congress to take action—

> in conformity with the progress we are making in restoring a fairer price level and with our purpose of arriving eventually at a less variable purchasing power for the dollar.

Accordingly, a range of from 50–60 percent of its former gold parity was established as the limit of fluctuation of the dollar, and the President announced a definite devaluation of the dollar to 59.06 percent of its former gold content.

MONETARY CHANGES GIVE TEMPORARY RELIEF

The action of the Administration on the price level was, and was intended to be, a measure of temporary relief. In the same speech just quoted, Secretary Wallace said:

During the past year, the present administration has faced a depression infinitely more distressing than that of 1921, and has taken the edge off it . . . by increasing the price of gold. Increasing the price of gold from $20.67 an ounce to $35 an ounce has increased the purchasing power of foreign currencies for American dollars and has thus made our cotton, tobacco, lard, automobiles, lubricating oil, and the like, seem far cheaper in terms of foreign currencies than they seem here at home in terms of American dollars. The burden of debt was so crushing, and the plight of our export industries was so appalling that I am convinced the President was profoundly wise in his monetary policy . . .

But the Secretary went on to add:

It is important that producers of export products look on relief of this sort as merely a breathing spell. Our goal must be either the restoration of fundamentally sound foreign purchasing power for our exports, or a domestic program that enables us to stop producing all exports except those which we can sell at a satifactory price abroad.

FOREIGN TRADE AND FARM ACREAGE

During the first year of crop adjustment it was emphasized that the loss of foreign outlets was what had caused many of the surpluses of various products to pile up, but that since those vanished markets could not be counted on, adjustments had to be made on the basis of sales at home. The emphasis was thus on contracting production of crops whose former markets had vanished.

The experience of the first year has raised the question as to what market American goods ought to be produced to fill, whether a market limited to the United States, a world market, or a market soundly combining domestic with foreign sales. In February 1934 these three possible forms of a national economic policy, with their respective advantages and their respective costs, were presented to the country in a pamphlet called "America Must Choose" by Secretary Wallace, with a request that they be discussed.

THE RENEWAL OF FOREIGN PURCHASING POWER

The general temper of the country, as the subject was canvassed from various points of view, seemed to favor moves which would renew foreign purchasing power even as domestic purchasing power had been renewed by the Administration's emergency programs.

The most obvious obstacles to a renewal of foreign buying of American goods are the tariffs which all countries, and especially the United States, pushed higher and higher during the last decade. Consequently in March 1934, President Roosevelt asked Congress for executive power to use the American tariff as a bargaining arm in renewing foreign trade. In June, Congress authorized the President to adjust tariffs by as much as 50 percent of present rates.

Recognition of tariff-making as an executive function changes the ground on which we will stand in the future when viewing our tariff policy. In the past the tariff has been a helter-skelter collection of schedules protecting particular industries and occupations. But the function of the Chief Executive is to represent the Nation as a whole: in considering modifications of tariff provisions, in arranging for goods to go out and goods of equivalent value to come in, the President can consider no welfare smaller than the welfare of the entire Nation. Accordingly, our tariffs in the years to come will be expressions of national trade policy.

The events of the past year have made it clear that because of changed world conditions, drastic readjustments of a permanent nature must be made either by agriculture or by industry, if moderate readjustments are not made by both. Secretary Wallace has suggested that readjustments will be fairest and least painful if they are shared by agriculture and industry. In his view, the best course to take is the middle course. This means increasing the importation of industrial goods by several hundred million dollars' worth and continuing moderate limitations in cultivated acreage.

Congress has already moved in the direction of this middle course by passing the Reciprocal Tariff Act.

CHAPTER X—THE FARM SITUATION, 1934

What was the situation in which the American Farmer found himself after a year's experience of the recovery policies of the Roosevelt Administration? The picture is in sharp contrast with his situation at the close of 1932.

From August 1933, when distribution of benefit payments began, to April 1934, farm cash income totalled $4,199,000,000. This sum represented an increase in farm income of about $1,200,000,000, or 38 percent, over the income of the same period of the preceding year. The benefit payments contributed nearly one-fifth of the increase.

This improvement reflected two important changes. It reflected an important increase in the market price per unit of farm commodities. The price per unit of the seven "basic" commodities increased from 51 percent of the pre-war level in March 1933 to 76 percent of the pre-war level in May 1934. Actual prices in March 1933 and a year later, for the commodities for which adjustment programs were in operation were as follows:

Commodity	Market price Mar. 15, 1933	Market price Mar. 15, 1934
Cotton, per lb	6.1 cents	11.7 cents.
Corn, per bu	20.6 cents	47.1 cents.
Wheat, per bu	34.5 cents	70.9 cents.
Hogs, per 100 lbs	$3.22	$3.88.

The fact that tobacco is marketed during only part of the year makes it necessary to quote prices by the season rather than on a given date. Figures for our most important type of tobacco comparable to the above are—

Market price, 1932 season, 11.6 cents per pound.
Market price, 1933 season, 15.2 cents per pound.

The improvement in income also reflected a very important increase in the quantities of farm commodities sold at these increased market prices. The income of cooperators in adjustment programs was further increased by benefit payments. The change in total returns from the basic commodities for which the first three adjustment programs were undertaken is given below.

The farm income from cotton in 1932 was $483,912,000. The farm value of the 1933 crop, seed and lint, plus cash rental payments and profits from options, was $845,405,000—an increase, that is, of 74.7 percent, in cotton-growers' income.

The farm income from wheat represents an advance from the 1932 value of $194,446,000 to a 1933 value of $267,153,000.

The farm income from tobacco increased from $107,115,000 in 1932 to an estimated total of $179,088,000 for 1933.

The change in the market price of the five commodities which together produce about half of the entire agricultural income of the country, and the change in the total income derived from them in 1932 and in 1933 are shown in figures 3 and 4.

Figure 3 shows the advance in the prices which farmers received for the commodities they sold. The weighted average price for 1933 is set alongside the weighted average price for 1932. The "parity" prices which are the objective of the administration's adjustment programs are also indicated.

Figure 4 shows the advance in the income which farmers received for the commodities they sold in 1932 and in 1933. Several points should be borne in mind in considering it. The income shown is the income actually received during the year; it does not necessarily represent the value of the crops of that year. Wheat farmers, for instance, sold in 1933 considerable quantities of wheat which they had been holding over from previous seasons, thereby securing a larger income than the value of the current crop. Corn growers, on the other hand, not only had a very much smaller crop to sell in 1933 than in 1932, but held a large amount of their crop off the market in sealed cribs or warehouses in order to take advantage of the Government corn loans. Their income therefore represents less than the value of the 1933 crop; the advantage they have gained by holding the remainder is indicated by the fact that the price of corn in March 1933 was around 20 cents and in July 1934 around 60 cents.

The share of the benefit payments in the farmers' 1933 income is separately indicated in figure 4. The fact that the corn-hog program did not go into effect until 1934 accounts for the absence of an indication of benefit payments on corn; the $31,000,000 shown on hogs represents the Government's emergency pig buying program of 1933.

The American farmer, in 1933, reaped the benefits shown by these figures from the crop control programs and other policies of the Government. He also reaped a crop benefit which the figures do not show. The adjustment programs curtailed the production of our surplus crops. They did not curtail total production. Under the influence of the contracts, farmers have shifted production from crops that were not needed to crops that are needed,

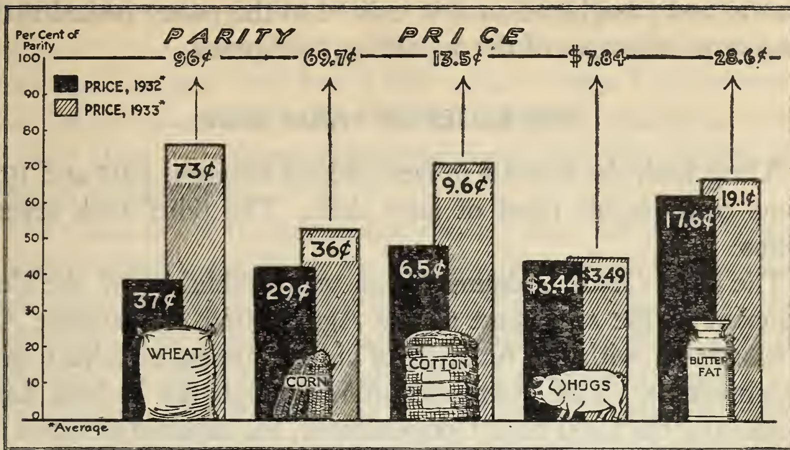

FIGURE 3.—Advance in Farm Prices, 1932–33.

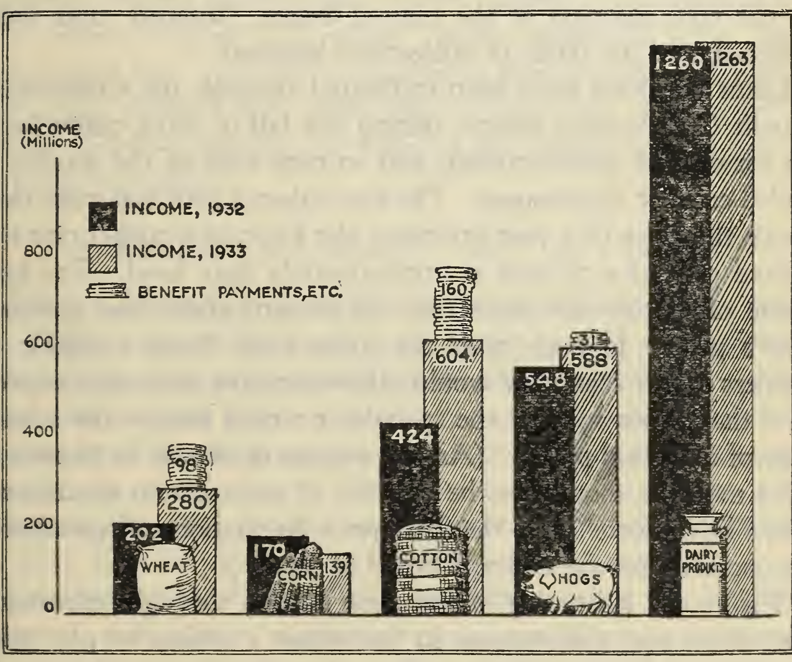

FIGURE 4.—Advance in Farm Income, 1932–33.

chiefly forage. Our surpluses arose because we put 40 million acres of grass and woodlands to the plough to supply war needs which ended with the war. A return to a balance between grass,

woods, and ploughland such as existed in the parity period is the long-term objective of the adjustment programs.

THE RELIEF OF FARM DEBT

Along with the increase in farm income between 1932 and 1934 came considerable relief of farm debt. The relief took several forms:

The Farm Credit Administration was established by the Government at the same time as the Agricultural Adjustment Administration with the function of aiding farmers to adjust their indebtedness. This Administration, through the Federal Land Banks and the Land Bank Commissioner, has afforded facilities for refinancing farm mortgage indebtedness, and within the year closing July 15, 1934, approximately one billion dollars was loaned in the farm districts of the United States. Interest rates were reduced, and the terms of obligations lessened.

Loans on crops have been facilitated through the Commodity Credit Corporation, which, during the fall of 1933, made loans on cotton and cotton options and on corn held off the market in sealed cribs or warehouses. The loan value of corn was more than twice the price of a year previous; the 45-cents-a-bushel rate stabilized the price of corn at approximately that level. The loan value of cotton was more than 60 percent above the previous year's price. In both cases the loans made funds available to farmers earlier than they would otherwise have been, and assured that the farmer and not the speculator would receive the advantage of increased prices. (Among actions of benefit to farmers in 1933 mention should not be omitted of the curb on speculation when limits were set to the daily price fluctuations of speculative commodities on the Chicago Board of Trade.)

The recent lightening of the debt burden through refinancing operations and the increase in the farmer's ability to pay with the rise in his income were indicated in the year-end reports of banks and insurance companies which had large holdings of farm mortgages. In areas where production programs have been prominent, improvement in collections has run as high as 30 percent, and even among a considerable number of firms whose percentage of delinquent loans has not yet altered the opinion

is prevalent that prospects for the coming year are greatly superior to the past. It is significant that bank failures in rural areas have ceased. All but 1,000 banks in the United States have been covered by the Federal Deposit Insurance since January 1934. Of those so covered, only two have failed, and none in a rural area.

The reduction of tax delinquency is still more definite. County finances, which mean funds for schools and other public services, have been notably strengthened since the last quarter of 1933. The relation between the benefit payments received and the back taxes paid has been striking in a number of counties.

In Georgia, for instance, in certain sample counties where there have been no benefit payments, the amount of taxes delinquent in 1932 was $31,427; in 1933 it was $32,396. In other counties, where there were a large number of cooperators in the cotton program and where benefit payments were correspondingly high, the total of back taxes due was reduced, during the same period, from $250,882 to $161,731. The story of wheat benefit payments and reduced tax delinquency in Kansas is much the same.

THE FARM—THE MARKET THAT LED REVIVAL

When a comparison is made between the market prices which the farmer received per unit for the things he sold and the prices which he had to pay per unit for the things he bought in May 1933 and in May 1934, it is found that the market prices he received and the market prices he gave had both risen to approximately the same extent. Those who deduce from this fact, however, that the farmer was no better off in May 1934 than in May 1933 are overlooking two vital considerations.

One is that for farmers who were cooperating in the Agricultural Adjustment Administration's programs, the market price, as explained above, was only part of their total returns.

The other consideration is that the increase in total farm income made it possible for the farmer to buy many more units of the things he needed, even though the relation between their unit prices and the unit prices of what he sold remained the same; it is important to remember that the total number of

things he could afford is no less important to his general welfare than the price at which he obtained them.

The increase in farm purchasing power is irrefutably shown by the increase in sales in rural areas that began in the autumn of 1933, starting first in the areas where the Agricultural Adjustment Administration's crop-control programs had first gotten under way.

The Federal Reserve Board's figures for department-store sales in its southern districts showed an increase of 16–18 percent during the last quarter of 1933 as compared with the last quarter of 1932, while the country as a whole showed only a 5 percent rise. Comparable figures for the great mail-order houses, a large proportion of whose sales are in rural areas, were even higher.

During the first 5 months of 1933 one of the largest of these firms suffered a loss of over $3,000,000; during the same period in 1934 the loss was turned into a profit some $700,000 larger than the former deficit had been.

Between March 1933 and March 1934, rural sales rose 65 percent. During the first 6 months of 1934 commercial failures dropped 42 percent in the cities, but in the rural areas they dropped 52 percent, showing where business was most rapidly improving.

It was increasingly obvious that the partnership which the farmers had formed with each other through the centralizing power of the Government had renewed the partnership between farm and city vital to the welfare of the Nation as a whole.

THE AGRICULTURAL PARTNERSHIP

Perhaps the most important change in the farm situation between 1932 and 1934 was that during that period the farmers of America organized collectively to deal with their collective interests.

Cotton growers signed 1,026,514 adjustment contracts in 1933; their signatures represented 73 percent of the total cotton acreage.

Wheat growers signed more than 550,000 adjustment contracts for the 1933–34 crop; their signatures represented 77 percent of the total area sown to wheat.

Tobacco growers signed approximately 275,000 adjustment contracts for the 1934 crop; their signatures represented 95 percent of the tobacco acreage of the country.

Corn-hog farmers signed over 1,000,000 contracts to be effective in 1934; their signatures represented more than 75 percent of the hogs in the country.

ECONOMIC DEMOCRACY IN THE CONTROL ASSOCIATIONS

In many other countries where control of production has been undertaken as a result of the depression, control has been imposed from above. In the United States, production has been adjusted by democratic procedure.

The county production control associations formed by the signers of adjustment contracts are local expressions of economic democracy. It is through these associations that collective action can be taken to make farm output fit available markets. It is through these associations that farm opinion can be formulated as to what markets should be made available to the American farmer, and what methods should be followed in adjusting production to them.

The cash gains from this collective action are not its only benefits. The farmer who has had the experience of crop control programs no longer thinks solely in terms of his individual farm. He thinks in terms of the national output of certain crops. His part in that output remains, and should remain, his first interest, but he now recognizes that his part is a part, inseparably related to a larger whole. That recognition is vitally important.

Furthermore, the definition of parity price as a relation between city-made and farm-grown commodities causes the farmer to think of his own welfare as definitely related to the welfare of the nonagricultural producers who with him make up the American economic community. That sense of community greatly widens the farmer's horizon; he is becoming accustomed to assist in the formulation of national economic policies.

A national policy for agriculture has been in the making for more than a decade. The McNary-Haugen Bill and the export debenture plan were among the early expressions of concern about our farm surpluses. The Act creating the Farm Board was a concrete measure which recognized the need for action to assist the farmers. The Agricultural Adjustment Act, based on the experience of the past, was framed to treat the farm problem as a whole, and to treat it in relation to the other basic elements in our national life.

The long-time goal, the national policy of which these measures were an increasingly clear expression, is a balanced agriculture.

There must be balance between the production of the farmers' fields and the consumption of their product.

There must be balance between the income of the farmers and the income of their neighbors in the cities and towns.

Insofar as we are successful in achieving and maintaining such a balance we shall insure a fair share of our national income to the producers of the farm commodities on which our basic national welfare to a large extent depends.

O

ON SELF-RELIANCE IN THIS AGE

If the virtues and values of individualism and self-reliance are to be preserved, we must not put upon the individual person burdens that are greater than he can by self-reliance carry. This is the surest way to kill individualism: by making it intolerable. In the misery of the past few years the individual burden has been greater than individuals could carry. That is why the very word "individualism", though it is the name of a noble conception of life, has suddenly fallen into such disrepute. To restore men's faith in it, and all that it means in the preservation of liberty and of the free growth of the human spirit, individualism has to be made safe for reasonably prudent men.

For that reason it can be said that those who are laboring to distribute justly the social risks of our immensely complicated society are the true defenders of individual liberty against the diseases of paternalism and the dangers of tyranny.

—Walter Lippmann.